

Message Text

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ORIGIN AF-07

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AF-MR.BLAKE

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FM SECSTATE WASHDC

TO AMEMBASSY LAGOS IMMEDIATE

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E.O. 11652: N/A

TAGS: EINV, NI

SUBJECT: AMERICAN INTERNATIONAL INSURANCE COMPANY
NEGOTIATIONS

REF: LAGOS 11453 AND PREVIOUS

1. AMERICAN INTERNATIONAL GROUP (AIG) VICE PRESIDENT SHELP
INFORMED DEPARTMENT TODAY THAT SHARE OFFER REPORTED REFTEL
WAS INDEED PUT IN NON-NEGOTIABLE TERMS AND SHELP ADDED ON
BASIS OF "TAKE IT OR WE TAKE SHARES AT THAT PRICE ANYWAY."
COMPANY WILL NOT ACCEPT N2 PRICE. ACCORDING TO SHELP, EVEN
LEAVING ASIDE VALUE OF GOODWILL, PHYSICAL PLANT AND VALUE
OF LIFE INSURANCE IN FORCE, DIFFERENCE BETWEEN FMG'S OFFER
AND WHAT COMPANY CONSIDERS AIIC SHARES TO BE WORTH LEAVES
OVER \$2 MILLION GAP IN TWO POSITIONS FOR 49 PERCENT OF
SHARES. MOREOVER, AIG CANNOT ACCEPT PRECEDENT OF FMG'S
NON-NEGOTIATED LOW PRICE BECAUSE OF EFFECT ON COMPANY'S
OTHER INSURANCE OPERATIONS IN OTHER COUNTRIES. THUS, IF
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FMG "TAKES" AIIC SHARES AT N2, AIC WILL CONSIDER IT EXPROPRIATION. COX DOES NOT INTEND RETURN TO LAGOS FOR FURTHER TALKS UNLESS THERE IS SOME INDICATION FMG WILLING TO NEGOTIATE.

2. SHELF LISTED ACTIONS COMPANY SETTING IN MOTION TO ATTEMPT PERSUADE FMG TO CONTINUE NEGOTIATE. ACTIONS PRESENTLY INCLUDE CONTACTING PRIVATE AMERICANS INCLUDING CERTAIN OF ITS BOARD MEMBERS WHO MIGHT HAVE ACCESS TO SENIOR NIGERIAN OFFICIALS. AIG INTENDS TO HAVE STATEMENT ON PROBLEM READ INTO CONGRESSIONAL RECORD LATER THIS WEEK. ALSO PLANS TO CONTACT ALL MAJOR BANKS OPERATING IN NIGERIA RE "TREATMENT OF AIIC AS INDICATION FMG'S TREATMENT OF FOREIGN PRIVATE INVESTMENT."

3. SHELF SAID AIG STILL WANTS AIIC TO OPERATE IN NIGERIA AND WILLING NEGOTIATE SHARE PRICE. WITH THAT IN MIND, HE AGREED WITH DEPTOFF'S SUGGESTION THAT COMPANY MAY WISH REFRAIN FROM PUBLIC COMPLAINT OF NIGERIAN POSITION FOR AS LONG AS POSSIBLE.

4. CENTRAL TO ENTIRE ISSUE IS ON WHAT BASIS FMG REJECTS AIIC'S ASSERTION THAT VALUE OF ITS SHARES MUST BE CALCULATED DIFFERENTLY FROM THAT OF OTHER INSURANCE COMPANIES OPERATING IN NIGERIA. REQUEST EMBASSY ATTEMPT ASCERTAIN THAT FMG HAS EXAMINED QUESTION OF UNIQUE VALUATION OF AIIC SHARES, THAT IT IS SATISFIED IT UNDERSTANDS IT, AND WHY IT REJECTS IT. ALSO REQUEST ON URGENT BASIS EMBASSY RESPOND PARA 5 STATE 273341 RE LEGAL BASIS FOR FMG ACQUISITION OF INSURANCE COMPANY SHARES. ONCE AIIC INFORMS FMG OF REFUSAL TO SELL AT N2 PRICE, EMBASSY SHOULD ATTEMPT LEARN ENSUING SCENARIO ENVISAGED BY FMG.

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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